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Eighth Administrative Review  
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## MEMORANDUM

DATE: November 7, 2002

TO: Faryar Shirzad  
Assistant Secretary  
for Import Administration

FROM: Richard W. Moreland  
Deputy Assistant Secretary, Group I  
Import Administration

SUBJECT: Issues and Decision Memorandum for the Final Results of the Antidumping Duty Administrative Review of Certain Helical Spring Lock Washers from the People's Republic of China

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## SUMMARY

We have analyzed the comments in the case and rebuttal briefs submitted by interested parties in the antidumping duty administrative review of certain helical spring lock washers (HSLWs) from the People's Republic of China (PRC). As a result of our analysis, we have made changes in the margin calculations. We recommend that you approve the positions we have developed in the Discussion of the Issues section of this memorandum. Below is the complete list of the issues in this review for which we received comments from the parties:

Comment 1: Department's Acceptance of New Information  
Comment 2: Valuation of SWR; Inconsistencies in Reported Data  
Comment 3: Valuation of SWR; Comparison of Prices Paid by Hangzhou to PRC Import Prices  
Comment 4: Valuation of SWR; Allegations that Imports into the PRC Are Dumped  
Comment 5: Verification for "Good Cause"  
Comment 6: Valuation of Hydrochloric Acid  
Comment 7: Calculation of Factory Overhead

## BACKGROUND

The products covered by this review are HSLWs of carbon steel, of carbon alloy steel, or of stainless steel, heat-treated or non-heat-treated, plated or non-plated, with ends that are off-line. HSLWs are designed to: (1) function as a spring to compensate for developed looseness between the component parts of a fastened assembly; (2) distribute the load over a larger area for screws or bolts; and, (3) provide a hardened bearing surface. The scope does not include internal or external tooth washers, nor does it include spring lock washers made of other metals, such as copper.

This administrative review was requested by Shakeproof Assembly Components, Inc. (the petitioner). The respondent is Hang Zhou Spring Washer Co. Ltd. (Hangzhou), also known as Zhejiang Wanxin Group, Co., Ltd.

The period of review (POR) is October 1, 2000 through September 30, 2001. We invited parties to comment on our preliminary results.

## DISCUSSION OF ISSUES

### Comment 1: Department's Acceptance of New Information

In its case brief, the petitioner submitted new information about 1) the price of imported steel wire rod (SWR) in the PRC; 2) the PRC's institution of steel safeguard actions; and, 3) financial information about the market economy supplier of SWR to the respondent, Hangzhou. Subsequently, the Department of Commerce (Department) formally requested this information and accepted petitioner's case brief in its entirety, because the information presented was an expansion of information discussed at a July 25, 2002 meeting between the petitioner and the Department.

Hangzhou argues in its rebuttal brief that the Department should reject petitioner's case brief because it was untimely filed. Respondent points to 19 CFR 351.301(b)(2), which states that factual information must be submitted no later than 140 days after the last day of the anniversary month in an administrative review. This new information was submitted more than five months after the last day of the anniversary month. Hangzhou cites a number of cases in which the Department rejected untimely factual information.

Hangzhou acknowledges that the Department has the authority and discretion to request this information at any point in the proceedings. Nonetheless, Hangzhou contends that the Department should not have requested this information. First, Hangzhou argues, any new information submitted at the July 25, 2002 *ex parte* meeting was itself untimely. Second, the new information should be rejected because it pertains to an issue raised and considered in the past four reviews. Respondent contends that the petitioner could have submitted the new factual information about the valuation of SWR on the first day of the review and certainly before the 140-day deadline set by the regulations. Third, Hangzhou argues that the Department's decision

to accept the information is inappropriate because it nullifies the regulations and risks ceding control of proceedings to the parties. The respondent contends that the Department's action may establish a precedent which would allow interested parties rather than the Department to control submission of new information. The respondent concludes by stating that the untimely submission of new information creates unnecessary administrative burdens for the Department and necessitates a last minute and unforeseen expenditure of resources by the opposing counsel.

*Department's Position:*

We affirm our August 22, 2002 decision to request new information from the petitioner and accept its case brief in its entirety. Our regulations at 19 CFR 351.301(c)(2)(i) make clear that the Secretary may request any person to submit factual information at any time during the proceeding.

The Department has used that authority in several cases. (See Certain Cased Pencils from the People's Republic of China; Amended Final Results of Antidumping Administrative Review, 62 FR 36491, 36492 (July 8, 1997); Certain Steel Concrete Reinforcing Bars from Turkey; Final Results of Antidumping Duty Administrative Review and New Shipper Review, 64 FR 49150, 49158 (September 10, 1999); Issues and Decision Memorandum for Certain Preserved Mushrooms from India; Final Results of Antidumping Duty Administrative Review (August 13, 2001) (Comment 6); Issues and Decision Memorandum for Stainless Steel Sheet from Taiwan; Final Results and Partial Rescission of Antidumping Duty Administrative Review (February 13, 2002) (Comment 26); and, Issues and Decision Memorandum for Certain Preserved Mushrooms from the People's Republic of China; Final Results of Third New Shipper Review and Final Results and Partial Rescission of Second Antidumping Duty Administrative Review (July 12, 2002) (Comment 12)). In accordance with 19 CFR 351.301(c)(1), we requested comments on this new information from Hangzhou. Hangzhou submitted its comments on September 3, 2002.

Regarding Hangzhou's specific objections to our acceptance of this information, we disagree that the information presented at the July 25, 2002 *ex parte* meeting was untimely. According to 19 CFR 351.301(c)(3)(ii), "... interested parties may submit publicly available information to value factors under §351.408(c) within 20 days after the publication of the preliminary results of review. Because the preliminary results of this review were published on July 10, 2002, the deadline for submitting factors valuation information was July 30, 2002. (See Certain Helical Spring Lock Washers from the People's Republic of China; Preliminary Results of Antidumping Duty Administrative Review, 67 FR 45702 (July 10, 2002) (Preliminary Results)). The information discussed at the July 25, 2002 meeting related to valuation of Hangzhou's SWR. Consequently, this information was timely.

While it might have been possible for the petitioner to submit certain portions of this new information earlier in the proceeding, the data were largely used to support the petitioner's claim that SWR is being dumped in the PRC. That claim is based, in part, on the May 2002 notification by the PRC to the World Trade Organization (WTO) regarding a safeguard action on steel. Therefore, the line of argument pursued by the petitioner did not exist before the 140-day

deadline described in 19 CFR 351.301(b)(2), i.e., March 20, 2002.

In regard to Hangzhou's third argument, the Department is not ceding its control of the proceeding when it decides to request new information. The Department is required to rely on "the best available information" to value factors of production. See Section 773(c)(1)(B) of the Act. When the Department is made aware of information that may potentially improve the quality of its decision and has sufficient time to analyze that information, it is an appropriate use of its discretion to request that information.

We agree with Hangzhou that acceptance of new information can increase the burden to both the Department and the opposing party and that this is an important consideration in deciding whether to request new information. Because of the importance of the SWR input to the production of HSLWs and, hence, the importance of finding the best available value for this input, we determined that the possible benefits of analyzing this information outweighed the burden.

#### Comment 2: Valuation of SWR; Inconsistencies in Reported Data

The petitioner contends that the information submitted by Hangzhou regarding its SWR purchases is contradictory and incomplete. Therefore, the petitioner claims, the Department should not rely on this information to value SWR for the final results.

Specifically, the petitioner questions the reliability of Hangzhou's reported SWR price because Hangzhou did not provide the price of the imported SWR or any related sales documentation regarding the purchases in its questionnaire response (QR). Though that information was provided in Hangzhou's supplemental questionnaire response (SQR), the names of the seller and supplier, and the terms of sale of the imported SWR were not consistent with the information provided in the QR. In addition, Hangzhou's copy of its SWR payment receipt was not translated. The petitioner argues that these combined discrepancies may be significant and should raise concern about the reliability of the response.

Hangzhou argues that the Department should continue to use the price Hangzhou reported for the SWR it actually purchased. Regarding the discrepancies pointed out by the petitioner, Hangzhou acknowledges that it inadvertently listed the incorrect mill in which the SWR was produced and the Hong Kong trading company from whom the SWR was purchased. According to Hangzhou, the inadvertent discrepancies and contradictions resulted from its failure to update its QR from the Seventh Administrative Review for the Eighth Administrative Review. Hangzhou also points to the petitioner's admission that these discrepancies in themselves may not be significant.

Hangzhou maintains that it has provided evidence that it purchased a significant amount of SWR, in arm's length transactions, from a market economy supplier and that it paid in a market economy currency.

In conclusion, Hangzhou states that the petitioner failed to demonstrate how the alleged errors

affect Hangzhou's margin calculation and cites a Court of International Trade decision which holds that the petitioner needs to present a viable claim that the alleged error would adversely affect the petitioner. (See Prodotti Alimentari Meridionali, S.R.L. v. United States, Slip Op. 02-68, Ct. No. 01-00020 (July 16, 2002) at 5-6.)

*Department's Position:*

We have continued to value Hangzhou's SWR using the price paid by Hangzhou for imported SWR for these final results.

While the petitioner has identified some discrepancies between the information provided by Hangzhou in its QR and SQR, these discrepancies are not serious. Moreover, based on our review of Hangzhou's responses in the prior administrative review, we accept Hangzhou's explanation that the narrative portion of the QR in this review was not updated from the QR in the prior review.

Comment 3: Valuation of SWR: Comparison of Prices Paid by Hangzhou to PRC Import Prices

The petitioner charges that the record of this review does not support Hangzhou's claim that it purchased SWR from a market economy supplier in a market economy currency. To support this, the petitioner points to information it provides in its brief regarding the prices of SWR imported into the PRC during the POR.

According to the petitioner, a comparison of the price paid by Hangzhou for its SWR to the PRC import statistics shows that Hangzhou's prices are substantially lower. The petitioner further alleges that whereas the average unit values derived from the PRC import statistics fluctuate from month-to-month, the price paid by Hangzhou remains constant.

Hangzhou argues that the petitioner's reference to average unit values of Chinese import prices does not undermine the credibility of Hangzhou's reported prices for SWR. First, because the new PRC import information was obtained from a consultant hired by the petitioner's parent, Hangzhou questions whether the information submitted by the petitioner is publicly available and from an independent source. Hangzhou claims that the Department closely scrutinizes information from consultants because of the potential for bias, citing the Issues and Decision Memorandum for the Final Results of the Antidumping Duty Administrative Review of Freshwater Crawfish Tail Meat from the People's Republic of China (April 22, 2002) (Comment 10).

Secondly, Hangzhou questions the applicability of the information because it may reflect an average monthly value for all types, grades and sizes of imported SWR. Hangzhou points to the Department's own investigations of SWR, claiming that the scope of those investigations covered 17 HTS categories, some of which included high value and specialty SWR. Assuming that the Chinese statistics are equally broad, Hangzhou argues that it is not unlikely that its reported prices would be lower than the average import value because it imports lower value

SWR. Finally, regarding the price fluctuations in the import data and the constancy of the import price paid, Hangzhou argues that this, too, is due to the fact that the import data likely reflect many types of SWR, many suppliers, and many different purchasers.

*Department's Position:*

We agree with Hangzhou that the data provided by the petitioner fail to demonstrate that the SWR price reported by Hangzhou is not a price to a market economy supplier, paid in a market economy currency. The information that was submitted by the petitioner is simply described as “prices for imported steel wire rod in China during the POR.” As Hangzhou has pointed out, this could cover a wide range of products and, as such, there is no reason to expect that the average import value would equal the price paid by Hangzhou for its imported input. Similarly, the variability of the average import price from month-to-month may reflect that different products are being imported in different amounts.

Moreover, Hangzhou has submitted copies of its invoices, payment receipts, and other sales documentation to prove that it purchased SWR at a certain price from a market economy supplier and paid for it in market economy currency. We have accepted Hangzhou's evidence of its purchases of SWR and have valued its SWR input accordingly.

Comment 4: Valuation of SWR; Allegations that Imports into the PRC are Dumped

The petitioner claims that it is the Department's practice to reject the use of actual import prices, if the Department has reason to suspect, or it appears that, the import prices may be dumped or subsidized. (See Omnibus Trade and Competitiveness Act of 1988, Conf. Rep. to Accompany H.R. 3, H. Report No. 576, 100<sup>th</sup> Congress, 2<sup>nd</sup> Session at 590-91 (1988 Act Conference Report), and Issues and Decision Memorandum for the Final Results of Antidumping Investigation of Automotive Replacement Glass Windshield from the People's Republic of China, 67 FR 6482 (February 12, 2002) (ARG).) The petitioner further claims that the price of SWR imported by Hangzhou during the POR evidences dumping and should not be used.

As evidence in support of its argument, the petitioner points to the comparison discussed in Comment 3 between the average import price for SWR in the PRC and the price paid by Hangzhou. The petitioner further refers to a provisional safeguard action instituted by the PRC. In notifying the WTO of this action, the PRC listed as a reason, “a ‘rapid’ downward price movement.” Thus, the relatively low price being paid by Hangzhou was in a period when PRC prices were depressed, according to the petitioner.

Next, the petitioner refers to the annual reports of Hangzhou's market economy SWR supplier. In particular, the petitioner points to a statement in one of the annual reports describing the company's losses and its unremunerative export sales, leading the petitioner to conclude that the export sales of Hangzhou's supplier are below cost and should be disregarded. Based on these financial statements, the petitioner reasons that because Hangzhou's SWR supplier has financial problems, the supplier is dumping SWR in the PRC.

Third, the prevalence of antidumping (AD) and other trade actions taken by countries worldwide against imports of SWR provides an indication that Hangzhou's imported SWR is unfairly traded, according to the petitioner. Finally, the petitioner claims, the PRC's safeguard action against SWR imports indicates that imports into the PRC are causing serious injury.

The petitioner then turns to ARG, where the Department rejected allegations of dumping because the PRC did not have a dumping order in place on the input in question. The petitioner claims that the situation in ARG is clearly distinguishable from the situation in this proceeding because of the PRC's safeguard measures on steel and because of the admission by Hangzhou's supplier that it was selling below normal value.

Hangzhou argues that under 19 CFR 351.408(c)(1), the Department will presumptively use actual market economy import prices unless the quantity is insignificant. Citing ARG, Hangzhou states that the Department will reject actual import prices only when the importing NME country has an antidumping order in place. In this case, Hangzhou argues that it imported over half of its SWR during the POR and there is no evidence of an AD duty order on SWR in the PRC during the POR. Consequently, Hangzhou contends the Department should continue to use the price that Hangzhou actually paid for its imported SWR.

Regarding the evidence of alleged dumping submitted by the petitioner, Hangzhou restates its claim that average unit values of imports into the PRC are not relevant to the prices Hangzhou paid for its imports. Moreover, according to Hangzhou, the import values submitted by the petitioner show that the values increased over the POR, contradicting the petitioner's claim that these prices were worsening during the POR.

Next, Hangzhou disputes the petitioner's claims regarding statements in the supplier's annual report. According to Hangzhou, the quoted report was for 2000 which is substantially outside the POR. Moreover, Hangzhou contends, neither report states that the supplier is selling below its cost of production.

Third, Hangzhou argues that the ongoing AD (and countervailing duty (CVD)) investigations of SWR in the United States, referred to by the petitioner, have no bearing on sales of SWR imported into the PRC from the UK. Hangzhou contends that it is the Department's policy to consider dumping to be specific to competitive conditions in specific markets, citing the Issues and Decision Memorandum for the Final Determination in the Less than Fair Value Investigation of Folding Metal Tables and Chairs from the People's Republic of China, (April 24, 2002) (Comment 1) (Metal Tables and Chairs from the PRC).

Finally, Hangzhou contests the relevancy of the safeguard action by the PRC. Hangzhou points out that the action was instituted in May 2002, after the POR, and that prices during the POR would be subject to different market conditions. Moreover, Hangzhou contends that there is a difference in the legal standards and findings in a safeguard action and an antidumping action. According to Hangzhou, a safeguard action requires findings of "increased quantities" and "serious injury," and the standard of proof is more stringent than in an antidumping action. Most

importantly, Hangzhou states, a safeguard action does not require a finding that imports are being dumped or subsidized.

*Department's Position:*

The Department has explained in several cases its interpretation of the language from the 1988 Act Conference Report regarding the use of dumped and subsidized prices to value NME inputs. (See Issues and Decision Memo for the 1999-2000 Administrative Review of Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China; Final Results (November 15, 2001) (Comment 1) (TRBs), ARG (Comments 1 - 5), and Metal Tables and Chairs from the PRC (Comments 1, 2, and 4). Regarding allegedly dumped prices, the Department will reject the value only when the importing country (the country in which the input is to be valued) has an antidumping finding in place. See, e.g., Metal Tables and Chairs from the PRC at Comment 4: "... we will disregard market economy prices for imported inputs as dumped only when the importing country has an antidumping duty order in effect for the products in question ...dumping is specific to competitive conditions in particular markets and cannot be assumed to apply globally. Similarly, in discussing this same topic in TRBs at Comment 1 (November 15, 2001), the Department stated that "... AD findings by their nature are narrowly focused." Under this standard, the information presented by the petitioner is not sufficient for us to reject the prices paid by Hangzhou for its imported SWR because there is no evidence that the PRC has an antidumping order in place against SWR.

While acknowledging that there is no order in place, the petitioner provides other evidence that allegedly shows dumping. We disagree. As discussed above, AD findings are narrowly focused, applying to particular products and particular pricing practices. The evidence provided by the petitioner, in contrast, applies to a broad range of products and does not speak to whether dumping is occurring.

First, the petitioner compares the prices paid by Hangzhou to PRC import values for SWR to show that the prices to Hangzhou were relatively low when prices for SWR were generally depressed. As discussed in our response to Comment 3, we question the relevancy of the import information because it may cover a wide range of products. Moreover, even assuming that the price to Hangzhou is low relative to other import prices, this does not mean that the SWR being purchased by Hangzhou is dumped.

Second, the petitioner cites to the annual reports of Hangzhou's market economy supplier. We note that none of the information or statements referred to by the petitioner pertains specifically to SWR or to exports to the PRC.

Third, the petitioner refers to the (then ongoing) AD and CVD investigations of SWR being conducted by the United States. To the extent that those antidumping investigations resulted in findings of dumping, the findings pertained to imports being dumped into the United States and, as stated in Metal Tables and Chairs from the PRC, cannot be assumed to apply globally. (We also note that none of the United States' CVD investigations related to the country where

Hangzhou's supplier is located. Nor has the petitioner pointed to any other findings indicating that this country has general export subsidies.)

Finally, while the PRC may have taken provisional safeguard measures against imports of steel, including SWR, this does not mean that the PRC has made a finding of dumping. At most, it would mean that PRC producers are suffering injury.

Therefore, because there is no PRC antidumping duty order in place against the SWR input used by Hangzhou and because the evidence provided by the petitioner does not support the conclusion that the SWR input is dumped, we have continued to use the price Hangzhou actually paid to value the SWR input.

#### Comment 5: Verification for "Good Cause"

The petitioner objects to the Department's reasons, as stated in the Preliminary Results, for not verifying Hangzhou's response. The Department refused to grant verification because the petitioner had not presented any information that caused the Department to question the validity of Hangzhou's submission regarding its purchases of imported SWR. The petitioner asserts that it was unable to comment on the validity of Hangzhou's information because it was submitted a mere two weeks before issuance of the Preliminary Results. The petitioner argues that the contradictions and omissions in the information regarding Hangzhou's purchase of SWR (See, Comments 2, and 3) provide "good cause" for verification.

In rebuttal, Hangzhou argues that the petitioner has not demonstrated that the Department must conduct a verification of Hangzhou's SWR purchases. Hangzhou states that the Department verified its responses including the imported SWR information in the fourth and sixth reviews, and found no discrepancies. In addition, the Department accepted Hangzhou's representations and evidence as to the price of imported SWR in the fourth through seventh reviews. The respondent further disputes the petitioner's assertion that the alleged contradictions and omissions warrant verification for "good cause." According to Hangzhou, the Department has rejected similar arguments for verification in earlier segments of this proceeding and has been upheld by the CIT. (See Shakeproof Assembly Components Division of Illinois Tool Works, Inc. v. United States, 192 F.Supp. 2d 486, 495 (CIT 2000)).

#### *Department's Position:*

Although we acknowledge that the petitioner had limited time prior to the Preliminary Results to make arguments regarding the SWR values reported by Hangzhou, we continue to believe that "good cause" does not exist for verification in this proceeding. In its SQR, Hangzhou submitted all invoices, sales documentation and payment receipts for its purchase of imported SWR during the POR. These are many of the very same documents we would have reviewed had we done an on-site verification. Also, the discrepancies identified by the petitioners were not significant and, as we explained in response to Comment 2, we are satisfied with Hangzhou's explanation of those discrepancies.

Finally, similar documentation was presented by Hangzhou regarding its SWR purchases in the 3<sup>rd</sup> through 7<sup>th</sup> administrative reviews of this proceeding and was accepted by the Department. This information was successfully verified by the Department in the 4<sup>th</sup> and 6<sup>th</sup> administrative reviews. Thus, we have continued to rely on the price of SWR reported by Hangzhou for these final results.

#### Comment 6: Valuation of Hydrochloric Acid

In the Preliminary Results, the Department valued hydrochloric acid using values from the Indonesian Badan Pusan Statistik.

The petitioner argues that the Department should use Indian import statistics from the Monthly Statistics of the Foreign Trade of India (MSFTI) to value hydrochloric acid. According to the petitioner, the Department used both MSFTI and Chemical Weekly to value hydrochloric acid prior to the 7<sup>th</sup> Review. However, in rejecting Indian imports statistics because they were aberrational in the Preliminary Results, the Department only considered Indian Chemical Weekly data. The petitioner claims that the Chemical Weekly data reflected a small import volume and few sales of hydrochloric acid during the POR. In contrast, the petitioner states, MSFTI recorded hydrochloric acid imports of 92 tons during the POR and is a reliable source for import values.

The petitioner further argues that the Indonesian import statistics used by the Department in the Preliminary Results yield an aberrationally low value. To support this, the petitioner compares the U.S. and Indonesian hydrochloric acid import values noting that the Department frequently uses a U.S. benchmark for determining whether particular surrogate values are aberrational. The petitioner claims the Indonesian import value used in the Department's Preliminary Results is 1/8th the value of the comparable U.S. import prices during the POR.

In conclusion, the petitioner contends that because the Department has a strong preference for using data from the primary surrogate country, it should use Indian import statistics from MSFTI to value the input hydrochloric acid.

Hangzhou maintains that the Department should continue to value hydrochloric acid using Indonesian import statistics. Hangzhou states that the petitioner miscalculated the unit value of hydrochloric acid imports into the United States. Correctly calculated, the Indonesian value used in the Preliminary Results is higher than the U.S. value. Therefore, Hangzhou concludes the petitioner has not shown any reason why the Indonesian import values should not be used in the final results.

#### *Department's Position:*

Because we determined in the prior administrative review of this order that the Indian values

for hydrochloric acid were aberrational, we examined the Indian values for the Preliminary Results of this review by comparing the Indian Chemical Weekly prices to a benchmark value, the unit value of imports into the United States. On this basis, we found in the Preliminary Results that the Indian Chemical Weekly value was aberrational.

For the final results, we agree with the petitioner that it is appropriate to also consider information on imports of hydrochloric acid into India as reported in the MSFTI. Using this data, we find that the MSFTI price, like the Indian Chemical Weekly price, is aberrational when compared to the correctly calculated benchmark, U.S. import values. Specifically, the price of imported hydrochloric acid reported in Chemical Weekly is US\$3.84/kg (based on 3 MT) and the MSFTI price is US\$2.44/kg. For the same period, the unit values of imports into the United States ranged \$0.08 - \$0.12/kg, with a weighted average value of \$0.11/kg, and the unit values of hydrochloric acid exported from the United States ranged from \$0.14 - \$0.20/kg. Thus, the MSFTI price is 22 times the weighted average U.S. import price and 13 times the average U.S. export value. This is virtually identical to the fact pattern in the prior review where, as noted above, we found the Indian value to be aberrational. (See Issues and Decision Memorandum for the Final Results of the Antidumping Duty Administrative Review of Certain Helical Spring Lock Washers from the People's Republic of China (February 15, 2002) (Comment 4)). Consequently, we have continued to use the Indonesian import price to value this input (\$0.1450/kg).

Although the petitioner is correct that our regulations at 19 CFR 351.408(c)(2) state a preference for valuing all factors of production in a single country, we have used more than one country to value inputs where data from the primary surrogate did not exist or were not useable. See, e.g., Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China; Preliminary Results of 1998–1999 Administrative Review, Partial Rescission of Review, and Notice of Intent To Revoke Order in Part, 65 FR 41944, 41947 (July 7, 2000), decision unchanged in Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, from the People's Republic of China; Final Results of 1998–1999 Administrative Review, Partial Rescission of Review, and Determination Not To Revoke Order in Part, 66 FR 1953 (January 10, 2001); and, Notice of Final Determination of Sales at Less Than Fair Value: Certain Partial-Extension Drawer Slides with Rollers from the People's Republic of China, 60 FR 54472, 54475-76 (October 24, 1995).

We also note that Indonesia was identified as a country that is economically comparable to the PRC in the surrogate selection memorandum for this review (See Selection Memorandum to Susan Kuhbach, Senior Director, Office 1, Group 1, AD/CVD Enforcement, from Jeff May, Director, Office of Policy, dated April 11, 2002.)

#### Comment 7: Calculation of Factory Overhead

In the Preliminary Results, the Department calculated factory overhead by adding total materials, total labor and total energy, and multiplying the sum by the overhead ratio.

Hangzhou objects to the Department's calculation of overhead in the Preliminary Results, stating that the Department made a clerical error by failing to include a byproduct offset. According to Hangzhou, the Department in its July 3, 2002 Memorandum to the File (Calculation Memorandum) recognized that the byproduct should be offset. Furthermore, Hangzhou asserts that the Department correctly applied this byproduct offset in its calculation of SG&A and profit.

The petitioner did not comment on this issue.

*Department's Position:*

We disagree with Hangzhou that this was a clerical error. The Department discussed the calculation of factory overhead in the 7th Administrative Review wherein we stated that the treatment of scrap (the byproduct) in the calculation of factory overhead should mirror the treatment of scrap in the calculation of the surrogate overhead ratio. See Issues and Decision Memorandum for the Final Results of the Antidumping Duty Administrative Review of Certain Helical Spring Lock Washers from the People's Republic of China, Comment 7, (February 15, 2002).) In this review, as in all reviews of this order, we are using information from the Reserve Bank of India (RBI) to calculate the factory overhead ratio. The RBI data do not provide us with sufficient information to determine whether the amounts reported for "raw materials, components, etc. consumed" are net of any byproducts. Moreover, the reporting of "Other Income" is not sufficiently detailed to identify whether revenue from sales of the byproduct (scrap) are reported there.

Because we cannot determine whether the data from the RBI reflect a cost of materials net of scrap or whether byproduct scrap revenue is included in other income, we have followed the methodology described in the 7<sup>th</sup> Administrative Review. Thus, we have not reduced the reported materials by the amount of scrap generated and sold by Hangzhou. As stated in the June 3, 2002 Memorandum to the File, we have offset the COM inclusive of scrap by the scrap revenue.

## RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting all of the above positions and adjusting all related margin calculations accordingly. If these recommendations are accepted, we will publish the final results in the Federal Register.

AGREE \_\_\_\_\_

DISAGREE \_\_\_\_\_

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Faryar Shirzad  
Assistant Secretary for  
Import Administration

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(Date)